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# *The* MANAGEMENT REVIEW

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## In This Issue

**The Money Question, By MERRYLE STANLEY RUKEYSER.**

## **The Management Index**

**Abstracts and Descriptive Notes of Company Activities Including**

**Financial Management**

**Production Management**

**Insurance**

**Public Relations**

**Office Management**

**Marketing Management**

## **Survey of Books for Executives**

**The Economics of the Recovery Program, SEVEN PROFESSORS OF  
HARVARD UNIVERSITY.**

**Labor Economics and Labor Problems, DALE YODER.**

**Extraordinary Popular Delusions and the Madness of Crowds,  
CHARLES MACKAY.**

**Our Economic Revolution, ARTHUR B. ADAMS.**

**The Economics of Imperfect Competition, JOAN ROBINSON.**

**and others**

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# *The* MANAGEMENT REVIEW

February, 1934

## The Money Question

By MERRYLE STANLEY RUKEYSER, *Financial Writer,*  
*New York American*

**T**HE money question, long a dead issue during the period of prosperity, has again become a subject of political controversy in a period of depression.

Those whose minds are closed to change say that the present antipathy to the pre-war gold standard is analogous to the attempt to smash the thermometer when it registers torrid heat. But the money question cannot be dismissed so simply. Since 1896 we have come, in the United States, to a better appreciation of the subtle nuances in the money question. We now know that truth is not as simple as many thought in 1896 when the conservatives felt certain that the salvation of the country depended on adhering to the classic gold standard. The opposition group, who were charged with heresy, naïvely took the view that all our social and economic ills would tend to disappear if only Congress would authorize free and unlimited coinage of silver in the ratio of 16 ounces of silver to one ounce of gold.

Bryan and his adherents were actuated by a worshipful adherence to the quantity theory of money. He felt that by increasing the volume of the money base, an approach to the millenium would be made. The discovery of new gold in the Rand and elsewhere, increasing the supply of the monetary metal, accomplished the results on the price level which Bryan had in mind.

Today the problem is more complicated. It is not simply a conflict between gold and silver as to which or both should be the monetary base. Some even question the necessity of restricting human discretion and management

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with a metallic base. The managed currency school, led by John Maynard Keynes, of England, would substitute banking discretion and management for the so-called automatic regulatory devices supposed to be inherent in a metallic monetary base. On the other hand, advocates of the so-called commodity dollar contend that the fixed and stable price for the monetary base, whether gold or silver, is based on a legal fiat rather than on reality. They contend, for example, that the purchasing power of gold fluctuates widely through the years. Accordingly through revaluation of the currency or through variations in the gold content, they would make the unit of currency, the dollar, constant in purchasing power, though variable in regard to metallic content. They would want the dollar always to represent a filled market basket.

The right to issue money has always been exercised by the sovereign state itself. In olden times unscrupulous kings and princes found a way to finance themselves temporarily by debasing coinage, that is, by clipping part of the metal away. Through the long centuries this and other means of inflation or deduction from the true value of money have gone on, and as a result peoples have become suspicious of the promises of their governors. Accordingly, there has been, especially in the older countries, such as India and China, a longing for objective representational value, such as gold and silver, which could be hoarded and thus protected from the duplicity of men.

This point is of immense human significance. The demand for a metallic standard springs largely from a distrust of men and a desire for an automatic brake on the discretionary power of men in governing positions. If men believed fully in the integrity of other men and had a deep regard for their intelligence, they would find more rational systems of monetary control based on adequate statistics and on intelligent economic diagnosis. The managed currency school leans in this direction.

It is difficult to simplify the present controversy in the United States into a category of sound money *vs.* unsound. Naturally, all intelligent men are for sound money. President Roosevelt in his inaugural address gave a hint that he was not satisfied with the old currency basis when he pledged himself to a "sound, but adequate currency." In his latest monetary message, the President has more definitely outlined his conception of an adequate currency. The present cleavage of opinion can better be described as the new money group *vs.* the old money group or the "New Deal" money group *vs.* the "Old Deal" money group.

Whatever the state of perfection in the theory which characterized our former money and banking system, in practice it departed far from sound money principles. We must consider in connection with the money question not only legal currency itself but also deposit currency, representing the combined deposits in banks in the United States, which in reality is the currency used in nine-tenths of our transactions. The bank check, for prac-



tical purposes, is our principal currency. Accordingly, in considering the money question we must consider bank or credit money as well as actual currency and in attempting to approach an understanding of the currency and banking situation we must also open our minds to the various aspects of the public debt.

Our money and credit system is mixed up with our status of public and private indebtedness because the acknowledgments of debt can be used as a practical substitute for money in the settlement of transactions. Bank deposits, it should be recalled, represent the debt of the bank to its customers with checking accounts. Part of these deposits are in turn created by surrendering to the bank promissory notes or other evidence of indebtedness on the part of the individual to the bank. Likewise fiat money comprises evidence of indebtedness of the issuing state.

For at least four thousand years states have claimed the right to enforce money contracts. It compels the payment of the thing which corresponds to the name or description in the contract. It not only asserts the right to determine and declare what thing corresponds to the name, but also to vary its declarations from time to time. Mr. Keynes characterizes this right as the right to re-edit the dictionary. In the United States we are at this juncture now. The Federal Government with its authority over money claims not only the right to enforce the dictionary, but also to rewrite the dictionary, that is, to redefine what constitutes a dollar.

President Roosevelt's recent message to Congress paves the way for making devaluation of the dollar, which has been permissible under the Thomas amendment since last Spring, mandatory. Under the new setup, the United States can return to the gold standard only through the devaluation route. In taking this monetary course, the United States is following the earlier example of all the principal belligerent nations in the World War. Of these only Great Britain and the United States sought to restore or maintain the old pre-war gold content of the unit of currency.

Devaluation in other countries has characterized the formal recognition of financial stabilization following currency depreciation. In European countries, stabilization has restored confidence, and attracted back into the countries funds of frightened nationals which had fled to foreign lands.

In recommending that the United States Government appropriate the profit from marking up the price of gold, President Roosevelt is suggesting following the precedent in other countries. France pursued a similar course.

It should be clear that the President asks Congress only to set the limits within which the country can return to a gold standard. He still leaves open the time of such return and even whether gold by itself should be established as the sole metallic reserve.

The credit producing capacities of money in the United States vary in accordance with its own character. Government money, including green-

backs, and central bank money, namely the Federal Reserve Bank notes, constitute so-called reserve money, the type of money which ordinary commercial banks like to accumulate. They accumulate it because they are required by law to carry such reserves against deposits which the public places with them. Members of the Federal Reserve System are compelled to keep such reserves on deposit at the Federal Reserve Banks. The amount of this reserve money can be increased in a variety of ways: through gold imports, through issuance of additional fiat money, and in subtler ways through the so-called open market operations of the Federal Reserve Banks. It has been roughly computed that an increase of one dollar in reserves can be expanded into ten dollars of increased credit to the public. At present, as a result of open market operations by the Federal Reserve Banks last year and this year, member banks have about \$850,000,000 in unused excess reserves which could be expanded through member bank loans and investments into \$8,500,000,000 of additional credit.

We must set up in our minds dispassionately the objectives of a sound money system, which is based on a recognition that money is not wealth, but is a measure or representation of wealth. This fundamental understanding will save us from the fallacy of the most unreasoning radical inflationists who think that we can usher in the perfect society merely by unleashing the printing presses irrespective of the form of money, that is, whether it has a gold or silver backing of one or another weights and fineness. Its real value will depend on its ratio to available goods and services which it can command. We can make this point absolutely clear by the technique of hyperbole. If, for example, for a year or so we should devote all of our productive energy to the printing and engraving of money to the exclusion of all other activities, it is obvious that the purchasing power of the money thus created would rapidly decrease and there would be a great shortage of the actual wealth which money can buy as a result of the curtailment of productive efforts. Accordingly, both the shortage of real goods and the great surplus of money would result in a tremendous increase in the price of available commodities and the price in effect would reflect not only the shortage of goods but also the glut of money.

The wilder of the inflationists seem to think that if we dropped newly printed money out of airplanes throughout the country, our problems of maladjustment would be over. Even if their premise that there is at present a shortage of money were correct, their solution would not take care of the disparities existing within the price structure itself in the relationship, for example, between agricultural prices, which have been depressed relatively more than the prices of manufactured finished goods. It is these inequities and maladjustments which prevent a free exchange among the vast social groups of the products of their hours of labor.

In the money debate it is common to ascribe a magic power to money

which it does not possess. Both schools of extremists fall into this fallacy. Genuinely sound money will depend on a system of scientific commercial banking in which the demand deposit institutions limit their commitments to genuinely liquid and for the most part self liquidating short term investments. It should be the job of such institutions to finance the seasonal and short term needs of business for funds to finance goods while in the process of manufacture or in transit. Such commercial credit should be expanded only in accordance with the actual physical increase from year to year in the output of goods and services, which has been computed at about 4 per cent. This stability in the reservoir of commercial credit should not be disturbed by cross currents, such as diversion of funds for capital loans, that is loans to finance purchase of long term equipment and plant, or loans for financing speculation rather than for financing the production, distribution, or movement of goods and services, or for loans overseas unrelated to the domestic economy.

Capital loans, of course, are entirely proper and sound, but they should be provided for out of the savings of the public, that is, out of the excess of income over expenditures. They should be financed through the sale of shares and bonds to individual investors. Such a banking system should be coordinated with direction by a genuine central bank, which conforms perhaps more to the pattern of the Bank of England than to our own Federal Reserve System, which is based on a political compromise. The objection to our own set-up is that it consists of a series of checks and balances which militates against firm and quick decisions in critical situations. In the future set-up, with increased public activity in economic matters, one of the important jobs of the central bank will be to facilitate and direct government financing. Since our money system is tied up with debt, there can be no sound money unless there is a definite policy with regard to keeping debt under proper control. Unlimited creation of debt without regard to the usage to which it is put, that is, whether it is of a self liquidating character or not, and without due regard to its relationship to the total national wealth, would lead, like unlimited issue of currency, to financial ruin. Horrible examples of this in the past include the assignats in France, the continental currency in the United States, and war-time German marks and Austrian kronin. These cases did not necessarily represent inherent weakness in paper currency, but rather the obvious danger of issuing such currency without limit. There have been historic examples of safe management of a paper currency, such as in Austria for several decades before the war. The Austrian system, it must be stressed, was contingent on capable banking management.

I think we need not accept the orthodox fetish of a balanced budget every year. Historically we have had no examples of such fiscal management. In times of wars, for example, governments have always spent far beyond their current revenues. President Roosevelt is seeking now to



demonstrate that it is proper and safe for a government to go heavily into debt for constructive and humane purposes of economic reconstruction and social improvement, rather than for the purely destructive purposes of war. Through the "New Deal" and the vast public works program President Roosevelt has sought to find what the late William James called "a moral equivalent for war." As President Roosevelt has recently revealed in his budget message, the "New Deal" will have proven incomparably expensive as a peace-time venture, but we must not be shocked by mere bigness of figures, but should relate them to the national wealth and the national income. In a word, if the stimulating measures of the "New Deal" actually result in a substantial restoration of the national income, which has fallen from about \$84,000,000,000 in 1928 to approximately \$49,000,000,000 in 1932, then the indebtedness incurred under the "New Deal" can readily be liquidated out of increased taxes based on increased national income.

The significant thing is that the President, attempting to manage Federal finances wisely and prudently, set a definite time limit to the period of extraordinary spending. He promises that by the fiscal year 1936, that is, the year beginning July 1, 1935, all expenditures, ordinary and extraordinary, shall be held within current revenues. Thereafter, he promises, current expenditures will be held below current revenues, so that a program of debt reduction can be inaugurated. Thus, instead of seeking to balance the budget in a single calendar year, which would be an arbitrary undertaking, he sensibly undertakes to balance the budget in terms of a whole business cycle. He doubtless feels that Secretary Mellon's record during the preceding period of prosperity in reducing the national debt at the rate of a billion dollars a year paved the way for the increase of Federal indebtedness during the depression. Thus President Roosevelt accepts the newer doctrine of economists to the effect that the government in its own spending should act as a balance wheel in prosperity and depression. These economists urge that in times of boom the Government should spend lightly, tax heavily and decrease public indebtedness so that in time of depression it can spend heavily, tax lightly and increase indebtedness.

In the contest between sound management and recklessness, it is significant that Mr. Roosevelt visualizes a limit to the period of incurring deficits. The real danger to sound finance would have come from a program of unlimited incurring of indebtedness, just as destruction of sound money has historically come from unlimited issue of fiat money.

As men become more civilized and learn to trust one another, the monetary system can be based primarily on the science of bookkeeping. Then less attention will be paid to the fetishes of the metallic base. Our government at Washington is conducting researches into the possibilities of conducting foreign trade in the future on the basis of international bookkeeping. In the past exporting was merely a profession of order taking. No con-



sideration was given to the ability of a country to pay off adverse trade balances. It is now proposed to make a transformation in exporting from order taking to business based on scientific credit analysis. Thus foreign trade would be placed on the same basis as was internal trade. Exports would be based on a recognized ability of buying countries to make payments through offsetting shipments of goods and services either directly into this country or indirectly through credits elsewhere established by exports to other places. If this system of bookkeeping were carried to its logical conclusion, there would be no substantial adverse trade balances but exports and imports would be made to balance.

For the internal money function, the more hopeful visionaries look forward to the time when similar bookkeeping principles can be introduced. They think that in due course the metallic base could be dispensed with on the theory that the increase in the production of gold depends on accidental factors which have no necessary relationship to the monetary needs of different countries. They would secure currency by government bonds and would assure a value to government bonds by placing definite limits on the borrowing power of governments. Economically the proposal is entirely feasible but the Ethiopian in the woodpile centers around uncertainty as to whether governments through the years would pursue a consistent policy and would respect the inhibitions and restraints and limits established by predecessor lawmaking bodies.

Inflation and deflation are the twin evils. Genuinely sound money would consist of freedom from both maladies and would represent a money system which would perform without friction and which itself was neither the cause nor a significant contributor to major fluctuations in business and employment.

Unless inflation is carried to such extremes that it results in the fear of complete repudiation of the currency, it is difficult to get the process started in a period of depression and shrunken demand, particularly because the creation of unneeded currency tends to be offset by a decline in the velocity of the turnover of deposit currency. This phenomenon has occurred in recent months.

Once confidence were fully restored and business men saw an opportunity to make profitable use of credit available, there could be a staggering expansion on the basis of the existing money set-up.

Accordingly a government which interests itself in the purchasing power of money has a twofold duty. After it has expanded sufficiently to meet its objectives, it must have the courage and the wisdom to reverse the process and to put on the brakes. Politically that is usually a much less popular move.

President Roosevelt is to be commended for already preparing public psychology for a reversal. He did this clearly in his budget message, indi-

cating that within six months the process of public spending would be tapered off and then flattened out. That in itself will help to apply the brakes. Other methods of reversal would include the rapid selling of Government bond holdings by the Federal Reserve Banks, raising of the rediscount rates by the Federal Reserve Banks, and also, if necessary, drastic raises in the reserve requirements of member banks. Another safeguard would be to continue the customary times of paydays for wage and salaried employees. In Germany during the inflation, at the behest of government, employers began to make payments daily in order to protect workers from the necessity of holding marks while they depreciated. This very process of making every day a pay day, instead of paying weekly or monthly, by itself tremendously accelerated the velocity of turnover and thus greatly accelerated the inflationary process. Likewise the machinery for public supervision of business, under the NRA and the AAA, would provide the means of preventing runaway markets by temporarily fixing maximum prices for key products.

Of course, in the monetary policy of the present Administration, one important objective has been to raise prices. Economists disagree as to the wisdom of this objective. Nevertheless, it is recognized that the price level has been out of line with the structure of existing debts, making debt service more difficult. All reasonable schools of thought agree as to the desirability of a higher price level in the United States but those who do not overvalue the importance of money in the economy think that the price rise should be a result of an increase in gross volume of business and employment rather than a mere manipulated move. In order to raise the volume of business and employment, it is desirable to remove the disparities in the price structure and to put agriculture, industry, and the capital goods trades on more or less of a price parity so that there can be a free movement of goods and services. Then the will to borrow and the will to lend will be enormously strengthened and there will be less concern about the efficiency of the circulating medium.

I have had limited faith in mere monetary manipulation except as a phase of a broad recovery plan and have urged that besides increasing credit supplies, the government should also formulate plans for putting them to work by such developments as the public works program, a system of refunding farm mortgages, and the process of making loans to closed banks in order to put frozen deposits back to work, and advances to frozen concerns by the Reconstruction Finance Corporation.

## THE MANAGEMENT INDEX

### Abstracts and News Items

#### GENERAL MANAGEMENT

##### Recovery a Fact, Reform Is Next on Agenda of the "New Deal"

In his inaugural address President Roosevelt advanced a four-point program of action, leadership, recovery and reform. As the author sees the trend of events, "not all of this reform will be consummated in 1934 nor will all of it be detrimental; with many phases, business itself will be in accord and will welcome leadership to accomplish from without what was impossible to effect from within. But over the year the various lines of business reform will expand and begin to converge into an alarmingly increasing concentration of authority in Washington and socialization of major industries, with the object of making them more subservient to labor and the consumer than to management."

The author concludes, "as 1934 wears on it is a safe forecast that fear of inflation and discussion of manipulation of foreign exchange will pale before a realization of the social aspects of NRA. Government control of business was achieved in 1933. How it is exercised will make or break 1934." By E. C. Barringer. *Steel*, January 1, 1934, p. 89:5.

##### Keeping Business Out of Court

An analysis of law suits resulting from business differences in recent years indicates that 75 per cent are settled or could have been without litigation; therefore, the client pays out at least 75 per cent in unnecessary legal fees each year. In order to expedite settlements and at the same

time reduce the expenses involved, the author proposes an increased utilization of arbitrating agencies, conciliation courts and lay collection men. By A. L. Hernstein. *Commerce and Finance*, January 10, 1934, p. 46.

##### Study Guide to National Recovery

A comprehensive analysis of the Roosevelt program. Outlined in succession are: The attempts of the "New Deal" to stimulate confidence; its measures for immediate relief; the efforts to remedy evils in the economic system and lastly, the fundamental reconstruction of the system itself. A list of references for further reading in the several fields covered is included. By Harold Rugg and Marvin Krueger. *John Day Pamphlet No. 37*, 1933. 48 pages.

##### Look Inside Your Business!

The Brown Company is "an amazing example of looking inside your own business for the key to problems of sales increase." When price competition destroyed a previously profitable market for its product, this company with millions of dollars invested in timberland and plants undertook a self-examination which led to its transformation from a producer of paper and pulp to a producer of cellulose. Technical research made possible the transformation and the most intimate cooperation between the market research and production departments is carrying it forward to amazing achievements. New and hitherto-unheard-of products are being developed and marketed.

Three basic marketing policies have de-

terminated the course of the research and marketing activity. The first is a determination to free the company from dependence upon products in which destructive competition is probable or possible. And the solution to this problem, in the belief of The Brown Company, is to develop products which can be controlled all the way through to the ultimate consumer, and over which the ultimate consumer himself has control. The second is that Brown Company will not make the actual products which the consumer gets (except in the case of some papers) but will confine itself to supplying materials to other manufacturers who do make consumer products. Third, is the plan for building up the market by maintaining quality.

"Thus," the author concludes, "at both the sales and the manufacturing end, stress is being laid on products which will tend to free themselves from outside competition. Thus scientific method is unceasingly at work to gain not only new results but right results." By Chapin Hoskins. *Forbes*, January 1, 1934, p. 11:4.

#### Re-forming Business Lines

The recent depression, Mr. Filene points out, was largely the result of an all-too-general tendency to become emotional about the fact that business is service, without realizing that "if business is to serve in the greatest possible way, it must concentrate upon achieving the greatest possible production and exchange of goods, and it must eliminate every obstacle to the greatest total profits." Many of the acts which business sponsored under the guise of service led to insecurity and a lack of purchasing power which inhibited it from performing its most essential service. To render that measure of service which is in keeping with its potentialities, American business men "must abolish unemployment and inadequately paid employment because, with the ever-increasing productivity of industry, business cannot be profitable unless they do. They must abolish economic insecurity among the masses because the masses otherwise will not

spend enough money to keep business good. They must eliminate all wasteful employment (and all waste is basically nothing but waste of human effort) because, where people are wastefully employed, they can not earn enough to permit them to buy and use the products of those who are effectively employed." By Edward A. Filene. *The Rotarian*, December, 1933, p. 24:7.

#### Utility Investments Under the Birchrod and Yardstick

"It is the misfortune of utilities" the author states, "that they have found it necessary to operate as monopolies. As such they have been made to order for the political demagogues seeking issues on which they could take an unequivocal, forceful, and yet politically innocuous position. They are ideally adapted to the pyrotechnics of campaign oratory." The recent statement of policy on the part of the Tennessee Valley Authority is characterized as "virtually handing private systems a cup of hemlock juice." The author finds that the respect for property rights which restrained a previous order is being undermined by the philosophy of the new deal and he therefore recommends a campaign of education and vigorous counter-attack. By Joseph Stagg Lawrence. *Public Utilities Fortnightly*, December 7, 1933, p. 689:6.

#### Under NRA Codes Only a Mussolini Can Steer Associations Straight

After sketching the highlights of the trade association movement in this country, the author states that in his opinion the past position of organization secretaries inhibits them from meeting the responsibilities arising out of the NRA. Nor does he believe that an executive committee made up of competitors will work satisfactorily in controlling an industry. He therefore recommends that there be appointed a real dictator for each industry. The man selected should be placed in an executive capacity, entirely independent, as far as his compensation is concerned, of



any member or clique in the organization. He also recommends a small board of arbitration for each industry, consisting of men not competitive in any form with any branch of the industry. By Saunders Norvell. *Sales Management*, November 1, 1933, p. 438:3.

#### **Government Should Limit Its Objectives to Business Recovery**

The President of the National Industrial Conference Board states that the present practical paralysis of private business initiative, enterprise and investment is due to: 1. Destruction of confidence in the

currency; 2. Increasing anxiety regarding the radical purposes of Administration policies; 3. Destruction of confidence in the security of private property and investment; 4. Fear of increasingly arbitrary interference of labor organizations in business management, with sanction and support of the Administration.

Dr. Jordan suggests several lines of action "if the Administration sincerely desires to avoid being forced into destructive inflation and into the assumption of absolute dictatorship." By Virgil Jordan. *The Iron Age*, November 23, 1933, p. 23D:2.

## **FINANCIAL MANAGEMENT**

### **Capital Markets and Recovery**

Since it has been demonstrated that short term credit, such as that supplied by commercial banks, cannot properly be employed as capital, it cannot be expected to perform the major function in putting men permanently back to work. Employment of those now occupied cannot be assured unless buying power is expanded by resumption of capital industries which have borne the brunt of the depression. These industries need new capital, a need that will be filled only when the great mass of the people feel confident that their investments are reasonably safe, free from the dangers of unstable currency or inflation, and not subject to unfair or exorbitant taxation. Moreover, while it is recognized that the Securities Act came into being because of motives with which there should be no quarrel, and contains many necessary and desirable features involving protection for the investor and, indirectly at least, some control over unwise industrial expansion, nevertheless, as a practical matter, certain conditions of the Act have contributed to the virtual elimination of capital financing. Directors of large corporations hesitate to subject themselves and their officials to the personal liability involved, while sound and conservative in-

vestment bankers feel unable to perform, under the Act, services essential both to the owner and employer of capital funds. So long as such conditions prevail, complete national recovery may be indefinitely postponed. *The Index*, (The New York Trust Company), November, 1933, p. 185:8.

### **What Constitutes Selling Below Cost Under the National Industrial Recovery Act?**

In writing into its codes many of the provisions relative to not selling below cost, the author is convinced that industry is for the most part making use of a currently popular phrase, with small conception of the principles or the problems involved. The term "cost," he points out, is ambiguous to an extreme degree. To an accountant cost generally means the cost to manufacture. An economist, on the other hand, includes the additional expenses incident to distribution of the product, general administration of the business and items relative to the financing of operations. In spite of the fact that the determination of such over-all costs represents a field of cost accounting as yet undeveloped and one in which accuracy of

results would be an unreasonable expectation, it is in this latter sense that the term is employed in most codes.

Recognizing the vagueness which seems to prevail concerning the interpretation of costs and the purposes served by uniform industry accounting and cost finding systems, and in view of the fact that many business men seem to feel that the formulation and installation of uniform methods for an industry is an easy and quickly accomplished procedure, the author discusses the nature and extent of the problems involved. "It is evident," he concludes, "that if the prohibition against 'selling below cost' is to be used in industry codes, it must first be carefully defined as to whether it means 'cost to manufacture' in the accounting sense, or 'over-all cost' in the economic sense. If it means the latter, then, in my opinion, industry is writing into its codes a mandate which is impractical of application and is contrary to all of our present concepts of business." By Arthur Andersen. *The Certified Public Accountant*, October, 1933, p. 605:9.

#### **The Taxation of Real Estate—A Survey of Recent Discussion**

In this survey of recent discussion the following conclusions are drawn: 1. The popular view that real estate is disproportionately taxed is overdrawn and the demand for relief is excessive; 2. Because of certain characteristics of the real estate tax and because of depression conditions, some relief should be granted; 3. Rural real estate probably deserves more relief than urban; 4. It is exceedingly difficult to determine exactly how much relief should be granted, and the matter will inevitably be settled by pressure of conflicting interests; 5. There are serious difficulties in extending relief to real estate owners and tenants by indiscriminate adoption of new taxes; 6. There is danger through such tax adjustments that the tax burden will be removed from those most able to bear it and placed on those least able; 7. There is need of research into the methods of relieving the burden before precipitate

readjustments are made; 8. The retention of the capital value basis of taxing real estate is probably justifiable. By K. M. Williamson. *The Quarterly Journal of Economics*, November, 1933, p. 96:33.

#### **Your Right to Pay the Least Taxes!**

The furore of criticism which followed certain disclosures at recent investigations of individual and corporate practices convey the impression that tax reductions of any kind are improper. The United States Supreme Court, however, has held that "it is not unnatural for any thoughtful business man to take such steps." More affirmatively, the Court adds that a taxpayer is to be commended if he is able to "select a method of carrying out a given transaction that produces less tax than if a different method had been followed."

The author presents instances illustrating the point that it is the taxpayer's right to keep his tax bill down to a minimum. The taxpayer, he concludes, "may assume that Congress, in shaping our tax laws, is completely aware of the ways and means by which a taxpayer can keep his tax liability down; and that Congress expects taxpayers to take full advantage of them. Of course, a taxpayer must keep within the law. If he oversteps the mark, if he evades instead of avoids, if he dabbles with sham or frauds, the tax will not be defeated. Legitimate transactions, executed in good faith, however, will be upheld, no matter how drastically they cut the tax bill." By M. L. Seidman. *Forbes*, December 15, 1933, p. 8:2.

#### **Britain's Exchange Equalization Fund**

Cloaked in the strictest secrecy, Great Britain's Exchange Equalization Fund has been regarded as a mysterious force by many American investors watching the course of the current monetary situation. That its operations are regarded in similar light by British observers is brought out in this article, which details the possible purposes the fund may have, the opposition to it that has developed in England, and some of the fund's achievements, so far as they have been made public.

Adoption by America of such a fund as part of its present monetary operations is impossible, the author points out, noting that the extreme secrecy necessary to its operations would be repugnant to American traditions, and that the managerial skill it would require is probably lacking in this country. By Alzada Comstock. *Barron's*, December 4, 1933, p. 3:2.

### Monetary Policies and the Price Level Complex

The belief that rising prices are essential to the success of the recovery program has attained wide acceptance; they would, however, seriously affect all creditors, including those dependent on income from trust funds, and wage-earners. In this discussion it is pointed out that profits, not prices, are the real source of debt-paying power and that the problem of recovery is one of an increased volume of production and employment. Raising the price level, it is contended, will automatically decrease the purchasing power necessary to this end. Mr. Platt also points out effects of the recently inaugurated gold-buying policy. By Edmund Platt. *Trust Companies*, November, 1933, p. 475:4.

### Uniform Cost Activities in Trade and Industry

This report gives an outline of the history, purpose and scope of cost activities carried on by various industrial groups; how these activities have been organized and developed; the results accomplished; and the difficulties and objections to overcome. *Metropolitan Life Insurance Company*, 1933. 46 pages.

### The Gold Standard

The economic readjustments made necessary by the War brought with them hardships as far as gold was concerned, which caused it to be regarded as a "fair weather standard." In recent years one nation after another has abandoned the standard and become a participant in the friendly

game of "competitive depreciation" with the aid of instruments euphemistically called "exchange stabilization" and "exchange equalization." More recently, however, as new and strong nations joined the game, there has come an increasing realization that perhaps the game was not worth the candle and that what we had termed a strait-jacket was merely that sort of discipline which is a condition of freedom.

After indicating the differences between the pre-war and post-war gold standard which accounted for the success of the former and the failure of the latter, the author sets forth the issues which must be faced if we wish to restore and afterwards maintain this standard. By J. H. Jones. *The Economic Journal*, December, 1933, p. 551:24.

### The 50-Cent Dollar and Foreign Trade

British opinion on the international effects of devaluation of the dollar is being held in abeyance until the President's policies have been more clearly explained. The author, formerly on the staff of the British Economic Advisory Board, essays to estimate the effects of American money policy upon world trade. After analyzing the competitive nature of imports and exports which might be affected, he comes to the conclusion that although dollar devaluation will disturb world trade, it will not disorganize it. By H. V. Hodson. *Barron's*, December 25, 1933, p. 5:1.

### Monetary Manipulations and Recovery

The author discusses the monetary policy of the current administration in the light of the relationships between gold, money, prices and production. The sequence of cause and effect, he admits, is a complicated problem but one which is emphatically not irrelevant in the determination of a monetary policy. "On the basis of the historical records," he concludes, "the Administration's effort to restore the price level of 1926 is doomed to postponement until such time as the levels of physical production have approached substan-

tially nearer to productive capacities. Apparently the way both to lift the levels of physical production, and later to hoist the levels of prices, if these can be accomplished by monetary manipulations, is to do all those things which will encourage the flota-

tion of new securities, prevent contraction, and stimulate expansion of bank credit and deposits, and to refrain from doing the things which obviously repress these developments." By Bradford B. Smith. *Baron's*, January 8, 1934, p. 3:2.

## Insurance\*

### Obsolescence and Possible Rehabilitation

Dr. Klein points out that obsolescence of buildings in the United States is unquestionably a pressing and perplexing problem. The effect of obsolescence on fire insurance is emphasized and attention is directed to the greater difficulty of obtaining insurance coverage, and that when available it is at a higher rate than for buildings which are not in the obsolete class.

Developments have proved conclusively the feasibility of rehabilitating many of the run down structures. Such work is abundantly proving its value in dollars and cents. By Dr. Julius Klein. *The Weekly Underwriter*, January 6, 1934, p. 23:1.

### Motor Vehicle Cargo Insurance

Types of risks are recorded showing the various shipping carriers affected and the kind of hazards to be covered. Reference is made to the extension of the usual transit policies for hazards not common to all insureds. *The Eastern Underwriter*, November 24, 1933, p. 33:1.

### Medical Relations Under Workmen's Compensation

A study of the part played by the medical profession in the evolution of compensation systems and an appraisal of its present position. The study shows that the form of legislation and institutions is of far less importance than their administration. "If that administration is monopolized or dominated by the interests that are concerned primarily in conserving the

income of employers and carriers, then the medical care of the injured workers and the professional standards on which that care so largely depends will be neglected, not so much through direct intent as through indifference, neglect and over-emphasis of the interests actively and intelligently concerned in such management." *American Medical Association*, 1933. 157 pages.

### Business Insurance

A report of a survey of over 1,500 business firms in seventeen American cities concerning their insurance practices. They were asked what kinds of insurance they buy, which executives do the buying, and what methods of saving on insurance they have effected in the last three years.

Of those who answered the questions 98 per cent carry fire insurance and 90 per cent carry employers' liability (or workmen's compensation). Other classes were carried by the percentages noted below: Public liability, 83 per cent; auto and truck, 71; fidelity, 53; elevator, 52; surety, 49; group, 48; explosion, 42; criminal, 22; transportation, 21; riot and strike, 9; sprinkler leakage, 7; breakage, 6; and windstorm, 5.

In 63 per cent of the concerns which answered one executive handles the insurance, usually the treasurer. Seventy per cent answered that they had effected savings in the past three years by reducing the amount of insurance, and 30 per cent replied that they had not. Thirty-seven per cent reported that they had reduced premiums by switching to other types of

\* Insurance abstracts are contributed by P. D. BETTERLEY, Assistant Treasurer, Graton & Knight Co.; Vice-President in Charge of Insurance Division, American Management Association.



carriers, and 63 per cent, that they had not. Forty-eight per cent had reduced insurance costs by installing protective devices (sprinklers, watchman service, etc.) and 52 per cent had not. Survey made by *Management Methods*, McGraw-Hill Publishing Company, 1933. 12 pages.

#### **The Working of Social Insurance in the U. S. S. R.**

Social insurance in the Soviet Union applies to all paid workers, covers all physical risks and until 1930 embraced the

risk of unemployment. Its administration is unified and is in the hands of the trade unions. The financial resources are provided by the employers. Benefits are granted both in cash and in the form of medical relief, the latter having become more frequent in recent times. In this report the development of social insurance in the U. S. S. R. is considered under the following headings: scope, administration, financial resources, and benefits. *International Labour Review*, October, 1933, p. 539:10.

## **OFFICE MANAGEMENT**

### **Space: Location, Equipment, Arrangement**

#### **Air Conditioning in Business**

Recognizing the increasing importance of this new development—and the growing interest of business executives in air conditioning's possibilities for them—*System and Business Management* is conducting a nation-wide study of what air conditioning is doing, and can do, for business. This study is divided into four parts: 1. Experience and opinions of executives in all lines; 2. What "retail outlets" are best prospects; 3. Experience of "users" of air conditioning; 4. Industry's need of air conditioning. Results to date are given in each instance. *System and Business Management*, December, 1933, p. 544:2.

#### **Radio for Office Building**

A centralized radio receiving system has been installed in the RKO building at Rockefeller Center. The central an-

tenna supplies radio frequency energy to a potential 1,200 receiving sets. Each outlet in the offices consists of a single wall plate in which are two plugs, one the connection for antenna and ground, the other for the power supply. *System and Business Management*, January, 1934, p. 28.

#### **Capitalizing Physical Conditions in the Office**

A discussion of questions involved in locating and planning new office facilities and of those applicable to existing offices, under the headings of layout, communications, physical environment, noise, illumination, heating and ventilation. By George D. Wood. *Proceedings of the Fourteenth Annual Conference of the National Office Management Association, held at the Hotel Pennsylvania, New York, N. Y., June 6 and 7, 1933*, p. 11:3.

### **Records: Forms, Charts, Cards, Files, Statistics**

#### **Stock Control and Work in Progress**

A description of the method introduced by the Hoffman Manufacturing Co., Ltd., sometime ago, which has proved sufficiently elastic during boom and slump periods. Known as the "Unit Figure Method of Controlling Stock and Work in Progress,"

it keeps a rigid control of over 20,000 different items, and the records are kept in connection with this stock control scheme by nine girls. The system is explained in detail by its author, who is secretary of the company. By P. Butchard. *Industry Illustrated*, December, 1933, p. 6:5.

### Analyses of Ledger Accounts

Very often the reason for belated statements lies in the fact that the general ledger contains too many accounts, which hampers the taking-off of a correct trial balance. Ordinarily the general ledger should contain only those facts, in readily available form, which the executive may desire at a moment's notice. Detail should be placed elsewhere. The author suggests this detail be maintained in a simple ledger-account analysis book. By J. J. Berliner. *The Office Economist*, November-December, 1933, p. 7:2.

### Simplified Stock Control Resulted in Savings on Bank's Purchases

One of the important requirements of a system of budgetary control of stationery and office supplies is to simplify the working forms. In its present form the Bank of America's budgeting program for its 410 branches has been an important factor in preventing the overstocking of branches with stationery and supply items and at the same time has resulted in the carrying of more flexible stocks at the central

warehouse. Owing to the manner in which the yearly requirements for each branch are carefully estimated and periodical shipments scheduled it is now possible for this organization to purchase a great many supply items on a deferred basis at special price inducements as well as at considerable savings in storage and interest charges. The program is described in detail. By J. K. Novins. *The Office Economist*, November-December, 1933, p. 8:3.

### The Most Common Faults in Dictated Letters

The author lists the following as the most provoking of letter faults: 1. Failure to answer all of the questions asked by a prospect; 2. A tendency to assume reader is better informed on a subject than is likely to be the case; 3. Use of too many words; 4. Long rambling sentences; 5. Use of stock phrases and stereotyped expressions; 6. The "big word" complex. Each fault listed is followed by a proposed cure. By Maxwell Droke. *The Office Economist*, November-December, 1933, p. 5:2.

## Organization: Job Analysis, Employment, Pay, Tests

### Pay Raised; Expenses Cut

Salaries of employees were increased and expenses reduced at The Lincoln Electric Company after all clerical work on routine jobs was placed on a piece work basis. The first step in bringing this about was a thorough job analysis, next a time study determining average time for an operation, then a base rate per hour for each operation was determined on the basis of the employee's salary and the average number of hours worked each month; a piecework price was figured for each operation. *System and Business Management*, December, 1933, p. 559.

### Measure Your Office Work

The author lists the following objectives in measuring office work: 1. To make an investigation of the over-all efficiency of

the office side of a business; 2. To measure the effectiveness of some particular feature in the organization, for the purpose of modification and improvement, or of a department to determine whether or not it is over-staffed; 3. A means of comparing the efficiency of individuals is required. This applies especially to semi-routine work, such as stenography or filing; and 4. Control of the work by sections is required so that no "bottle-necks" may slow down and render less effective the whole organization. He describes the application of some unit of measurement to a representative detail of office work so that results may be viewed from a statistical point of view. "The complete office returns," he says, "will reveal any recent increase in the volume of work. The departmental record will show whether the work of the department in question is up

to average. The individual efficiency factors will show up any 'passengers.' The number of hours' idle time will indicate any 'bottle-neck' which may be a contributory cause to the unusual pressure of

work. In short, the true facts cannot fail to emerge, so that the executive, with these records before him, can determine the proper course to take." By C. H. Costello. *Business*, October, 1933, p. 28:2.

## PRODUCTION MANAGEMENT

### General: Promotion, Organization, Policy, Development

#### The Significance of Standard Costs in Industrial Undertakings

Standard costing entails systematic cost estimates and subsequent cost control. The efficiency of the system depends upon the accuracy with which direct and overhead costs are estimated. Yet, at the outset it is unnecessary to concentrate on securing a high degree of accuracy since this will automatically set in, provided the standards are periodically corrected in the light of actual results. Just as, in any factory, time study and the compilation of tables for reckoning cost of wages have entailed initial expense, so it is necessary to devote time and trouble to an initial analysis of departmental overhead charges. When the practice of forecasting costs is extended to overhead charges, the accounting system and the factory organization lock in with one another and it becomes possible to appreciate more accurately the probable effects on costs of any proposed measure of reorganization. Finally, a departmental organization of budgeting and works accounting is likely to facilitate business investigations and the comparative analysis of operating results as between different firms. *Bulletin of the International Management Institute*, September, 1933, p. 133:8.

#### Budgetary Control During a Depression

"During the seven years in which Worthington has applied budgetary control methods," states the director of budgets of the Worthington Pump and Machinery Corporation, "the business cycle has swung widely in both directions, our products

have been developed considerably, and many changes have occurred in the processes of production. Yet, at no time during this period . . . has the budget failed to provide the desired control." In a typical example, he indicates the principles of the method employed by this organization. By Frank Klein. *Executives Service Bulletin*, January, 1934, p. 5:2.

#### Applying Technological Gains to Reconcile Man to Machine

The author presents a study of the avenues open to the distribution of profits from mechanization. He suggests 40 per cent to ownership for writing off cost of new equipment, 30 per cent to the general wage fund and a 30 per cent reserve to minimize impact of rising prices of purchases. He also advocates use of a licensing plan to enable industry to control its obsolescence rate. By H. P. Losely. *The Iron Age*, November 16, 1933, p. 10:4.

#### Management in Manufacturing

Management in manufacturing—the methods used in getting work done—has progressed rapidly in recent years, resulting in an amazing advance in productivity. The foundation of this success rests upon the establishment of systematic controls. It is in the interest of these controls that the author traces the sphere of management's responsibility in the productive processes from cooperation with the designing department in the development of the article being manufactured to the inspection of the finished product and from rate-fixing to participation in the social

life of the workers. "It cannot be over-emphasized," he concludes, "that wise leadership is more essential to the success of any enterprise than an extensive organiza-

tion or the most modern equipment." By C. T. Skipper. *The Journal of the Institution of Production Engineers*, September, 1933, p. 398:15.

### **Plant: Location, Lighting, Heating, Ventilation**

#### **Will the Diesel Engine Revolutionize Industry?**

A real Diesel threat to public utility power sales materialized as owners of office buildings, hotels and apartment houses began to find it cheaper to put in their own Diesel-driven power-plants than to buy from central stations. Inroads on central station profits already made by these small units, frequently Diesel-powered, have been sufficient to worry public utilities all over the country.

The author sets forth the following general conclusions: "1. Technical interest in Diesel engines is higher today than ever before and gives every indication of growing rather than diminishing; 2. Continu-

ance of steady growth in Diesel use in the stationary and marine fields may be expected in the United States; 3. The possibility of widespread Diesel use in the automotive field definitely exists, but nothing indicates that this development in the next five years will be appreciable in volume as compared to other types of automotive power-plants; 4. Variety rather than volume characterizes the whole Diesel development up to the present time; 5. So widespread and so important is the research work currently under way as regards Diesel designs and fuels, that a totally different picture of its commercial possibilities may well appear at the end of another five or ten years." By A. L. Stevenson. *Forbes*, December 15, 1933, p. 10:4.

### **Industrial Economics: Labor and Capital, Legislation, Wage Theory, Immigration**

#### **Attitudes of Unemployed and Employed Engineers**

A group of unemployed men and a group of employed men were compared with regard to their occupational morale, their attitudes toward employers as a class, and their attitudes toward religion, after the two groups had been matched in eight particulars: age, salary (on last job of unemployed men), nativity, education, religion, state licensing, marital status, and occupation (all were professional engineers). Seventy-five per cent of the unemployed men had poorer morale than the average employed men, and 68 per cent were more antagonistic toward employers as a class. The article shows the very definite relationship between morale and varying degrees of financial security of unemployed men, and between morale and differences in employed men's feelings of job security.

The morale of destitute men who had been given "work relief" or "made work" was definitely better than the morale of those who, although similarly destitute, had not received such help. The morale of employed men who anticipated losing their jobs almost any time was as low as that of unemployed who were in no particular need. By O. Milton Hall. *The Personnel Journal*, December, 1933, p. 222:7.

#### **Wage Differentials—Analysis of Prior Conditions and Code Requirements**

The provisions in the President's Re-employment Agreement and its modifications and in the approved codes of fair practice, fixing minimum rates of pay, aim to bring about uniformity in wage payments, whereas in the previous evolution of industry diversity has been the rule. Analysis of the numerous modifications of



the agreement approved for different industries shows that 211 of them changed in some particular the wage provisions of the agreement. Of these, 57 per cent permitted less than minimum wages for apprentices or learners; 30 per cent, lower rates for women than men; and 37 per cent, lower rates in the South than in the North. Other regional differentials were recognized in 8 per cent of the modified agreements, while 9 per cent replaced the single minimum of the agreement by different minimum rates for different occupations.

In allowing departures from the rule of uniformity the approved codes have in some particulars gone further. The first 123 codes approved were analyzed with reference to wage differentials. With respect to office workers, 27 per cent of these codes permit less than minimum rates for office boys and girls, while 28 per cent follow the lead of the agreement in fixing minimum rates according to locality. For factory workers, 52 per cent of the codes examined provide lower rates for learners and apprentices, and 33 per cent extend similar rates to partially incapacitated persons. Only 19 per cent permit lower rates for women, but 40 per cent allow lower rates in the South. Other regional differences appear in 16 per cent of the codes examined, and different minimum rates for different occupations are found in 29 per cent. *National Industrial Conference Board Memorandum No. 20*, January 5, 1934. 21 pages.

#### Mental Perils of Unemployment

There is a social, or socio-economic, problem involved in unemployment. This problem, as it affects individuals, is not merely the problem of losing a job and finding or trying to find another. It cuts deep into the emotional life, threatens the disintegration of personality, and thus presents a problem of mental hygiene. The sense of security is weakened, the sense of inferiority is strengthened. Accustomed activities giving opportunity for self-assertion and self-expression are cut off, and

the underlying "drives" are blocked or diverted. Neurotic habits and attitudes may develop, and the individual, apart from his mental discomfort, may become unable to function at his normal capacity.

In this article the author writes of these dangers to personality and character, explains their mechanisms, workings, and effects, and tells how they may be avoided or overcome. Chief among the means of keeping mentally fit and healthy, during the ordeal of unemployment, is knowledge—particularly self-knowledge, but also knowledge of economic processes and vocational opportunities. How this knowledge may be used in banishing fear and preserving or regaining self-confidence and self-respect is described with several illustrations from actual experiences known to the author. By R. O. Beckman. *Occupations*, December, 1933, p. 28:8.

#### Industrial Relations Under the N.R.A.

After summarizing the personnel problems arising out of Section 7-a, the Assistant Manager of Industrial Relations of the Commonwealth Edison Company concludes that "the employers of labor and we in the industrial relations profession are faced with more serious challenges today than ever before. The first test which is being offered everywhere is the test of sincerity in the ultimate objectives and in the immediate actions of management in its relations with its people. The next test is the willingness of management to answer more and more intimate questions regarding the operation of the business, an evidence of which has been the demand already appearing in many concerns by employees that the management show cause through the production of confidential figures why it cannot increase wages. Another challenge is the test of how collective dealing, whether with employees in a joint council or with representatives in a labor union, shall be carried on. Will the spirit be one of handling each grievance as it appears with an effort on each side to grant the minimum and demand the maximum, or will it be a more far-sighted

policy of working together to avoid grievances? Finally, because the background of the depression which has thrown millions of former wage earners out of employment, is so close to us, management is going to be challenged as never before to furnish greater personal security to employees. If this is not done, it seems likely that we will follow the path of the European nations, in which, except in a limited

number of companies, the state has assumed this responsibility and charged the expense to the taxpayers."

In the discussion which followed the reading of Mr. Field's paper, wage differentials and employee representation were given particular consideration. By Byron F. Field. *Report of Monthly Meeting of the Industrial Relations Association of Chicago*, November 13, 1933. 17 pages.

## Employee Service: Hygiene, Recreation, Lunch Rooms, Stores, Safety

### Combating Employee Illness

In an effort to combat common colds—an illness which costs the company \$7,800 annually in salaries paid to ill persons—the *New York Daily News* this year is offering its employees free inoculations against this winter scourge. The medical department of the News Company holds that inoculations against colds help appreciably in 50 per cent of the cases. *System and Business Management*, January, 1934, p. 28.

### Managerial Control of Fleet Accidents

Fleet accidents interrupt the production of efficient commercial vehicle miles and the fleet operator is paying a surprisingly high overcharge for the accidents involving his drivers. The Highway Safety Supervisor of the Liberty Mutual Insurance Company points to these two facts in showing that fleet safety can best be main-

tained by direct executive control and states that the first step in the safety campaign should be the issuance of an official set of rules governing automobile accidents and that these rules "must be clear and must have teeth." By Robert Clair. *Journal of American Insurance*, November, 1933, p. 14:4.

### Control of Industrial Disease

The most serious industrial diseases are caused by inhalation of the silica found in sand, granite dust, abrasive powders, etc. The author stresses the advisability of mechanical control, such as exhaust equipment at point where dust is generated, in contrast to medical control of occupational disease hazards as an effort to cut compensation costs. Constant inspection after installation is necessary to obtain full effectiveness from exhaust systems. By David S. Beyer. *Journal of American Insurance*, October, 1933, p. 19:3.

## Training and Education: Schools, Libraries, Apprenticeship, Employee Publications, Bulletin Boards

### Education for a New Society

America must re-evaluate its educational program in terms of economic change and social purpose, says the President of Antioch College. Vocational education 1. must be preceded by intelligent counseling; 2. should not be too specific; 3. is an inseparable part of the development of the whole personality; 4. should be determined by needs of society; 5. must give consideration to intelligent consumption; and

6. belongs in the school and not in industry. By Arthur E. Morgan. *Occupations—The Vocational Guidance Magazine*, October, 1933, p. 11:7.

### Company Retraining Programs

In the expectation of an increased interest in the problem of retraining in the coming months, the Industrial Relations Section, Princeton University, has sought the experience of a number of companies which

have been active in the general field of industrial education. Little information on the use of retraining in meeting cyclical readjustments has been obtained, however, since the purpose of such programs in the past has been the rehabilitation of disabled

employees or those displaced by technological change. The findings of the Section's survey are summarized in this memorandum. Prepared by Eleanor Davis. *Industrial Relations Section, Princeton University*, September, 1933. 23 pages.

### **Labor Relations: Collective Bargaining, Employee Representation, Arbitration**

#### **"Interference, Restraint, or Coercion"**

In reaffirming the right of employees "to organize and bargain collectively through representatives of their own choosing," the National Industrial Recovery Act further provides that in the designation of such representatives, employees "shall be free from the interference, restraint, or coercion of employers of labor, or their agents." Explicit as this prohibition of undue influence appears to be, and is intended to be, it does not answer many questions that will arise in interpreting the application of this section to actual situations in industrial plants. It is extremely difficult to draw a clear line of distinction between what may be considered legitimate suggestion on the part of the employer and what may be construed as illegal interference or coercion. Probably the greatest difficulty that will arise in interpreting this prohibition comes from the fact that in any given case where a management may be challenged on this score, it is likely to be not so much the particular act of alleged interference but rather the purpose behind it that will constitute either legitimate or illegitimate influence, and motives are much more difficult to establish than facts.

The Industrial Advisory Board has summarized its understanding of certain controversial points involving the labor clause of the NIRA as follows: "From the law and official interpretations, it is evident that the test of validity to be applied to any form of collective bargaining is simply this: Is it the free choice of the workers? Any coercion which interferes with free choice is out of harmony with the spirit of the law. This does not mean that the employer is forbidden to confer with his

employees and advise with them as to methods of collective bargaining, provided always that final determination is left to the unrestricted choice of the workers." *Conference Board Service Letter*, November 30, 1933, p. 81:4.

#### **Collective Bargaining or Governmental Wage Fixing?**

Colonel Rorty believes that there is a general misconception of the significance of collective bargaining under the "New Deal." In the first place, the average margin of profit in industry is too small to permit material increases in wage rates. In the second place, the avowed purpose of the Administration to maintain balanced economic relationships will force public intervention in labor disputes when the interests of consumers or other trades or businesses are involved. The Government, in his opinion, will not allow business to be loaded with burdens that will impede recovery, and will of necessity subordinate collective bargaining to semi-judicial procedure under public control. By M. C. Rorty. *The Iron Age*, December 28, 1933, p. 18:4.

#### **Individual and Collective Bargaining Under the N.I.R.A.**

In a survey of employee relations, completed in December by the National Industrial Conference Board, reports from 3,314 manufacturing and mining concerns which employ 2,585,740 wage earners (about one-fourth of the total for these industries) indicates that 45.7 per cent of the workers deal with their employers individually, 45 per cent through plans of employee representation, and 9.3 per cent through organized labor unions. Of the

employee-representation plans and labor-union agreements reported, 61.3 and 41.8 per cent, respectively, had been adopted since the passage of the Recovery Act.

Actual figures were 400 employee-representation plans and 174 labor-union agreements. *National Industrial Conference Board, Inc.*, November, 1933. 37 pages.

### Shop Methods: Industrial Engineering, Standardization, Waste, Rate Setting, Time and Motion Study

#### Motion Study Shows New Help, Old Help, How

Motion study has been applied to very good advantage, both in the reduction of labor costs and in the training of new employees, by the Mechanical Division of the B. F. Goodrich Co. This result has been attained by making all of the time-study engineers and factory supervisors motion-minded through a series of classes in which the principles of motion economy were taught and demonstrated on operations in their own departments. The Time Study and Standards Manager of the division describes the motion study methods used in various operations in which the plan of instruction was: 1. Teach the correct moves; 2. Get quality workmanship;

3. Attain necessary speed. By H. Resseger. *Factory Management and Maintenance*, January, 1934, p. 19:3.

#### With Right Watchman Service "All's Well"

"Modern watchman service is a trade, whose function is to prevent waste and to detect and correct all conditions dangerous to life and property." This is the creed of the plant engineers of the Corning Glass Works, authors of this article describing watchman routine in their plant and accompanied by a chart of duties, which is given the watchman upon employment. By Alfred Vaksdal and Frederick S. Kriger. *Factory Management and Maintenance*, January, 1934, p. 12:3.

## MARKETING MANAGEMENT

### How to Control Profits While Reducing Sales Costs

Every company wants to reduce the cost of securing sales, but executives must be convinced that the reduced selling expense won't carry the sales curve down to some red-inky depth. Just where to draw the line is puzzling. "Too many sales managers," the author states, "have left consideration of fixed expenses to the accounting department, not knowing that here was the answer to one of their own difficulties." By fitting fixed and variable expenses into their proper position in the sales picture, the author derives a formula for determining how much business a company can afford to lose for a given decrease in selling expense. This formula is summarized in the following rules: 1. When the dollar value of increased percentage of fixed ex-

pense to sales exceeds the dollar value of the amount of selling expense saved, there will be a net loss if selling expense is reduced; 2. When the dollar value of increased percentage of fixed expense is less than the dollar value of the amount of selling expense saved, there will be a net gain if selling expense is reduced. By S. A. Weart. *Printers' Ink Monthly*, November, 1933, p. 22:2.

### Applying Modern Selling Methods to Electric Transportation

Through a merchandising program based on modern, comfortable equipment and on an attractive fare structure, The Milwaukee Electric Railway and Light Company has held its transportation revenues at satisfactory levels in the face of generally unfavorable business conditions. The presi-



dent of the company describes the program and indicates some of its tangible results. In conclusion he adds that "public confidence and employee cooperation have been two major contributing factors to the company's progress." By S. B. Way. *Executives Service Bulletin*, December, 1933, p. 1:4.

#### Dealer's Profit the Big Thing in Introducing New Model

Too often the major consideration in the mind of a manufacturer who contemplates bringing out a new model is price. He will produce something, he decides, that will sell for less than anything like it on the market; and it will sell, because it will bear his well-known name. His mistake, and often such a policy actually is a mistake, lies in forgetting the dealer. "A dealer who doesn't profit doesn't reorder." From the experience of his own company, the general sales manager of the Royal Typewriter Company concludes that the major factor in introducing a new product is that matter of dealer profit. By Maxwell V. Miller. *Printers' Ink*, December 14, 1933, p. 21:2.

#### The Voluntary Chains

This study, fourth of a series on the subject, presents a detailed account of the obstacles encountered in establishing voluntary chains. Discussion centers on problems of distribution, overhead, etc., and indicates appropriate means for adjusting

them. Numerous tables, assembled from periodic checkings, show the trend of growth, while others indicate the value of applied operations. Voluntary chains have progressed in recent years despite cut-throat trade methods. Their future depends upon the strength and vision of centralized influence: their permanency upon the broadening of these powers. An effort is being made to develop more efficient sales and distribution methods, even to the extent of installing central warehouses as necessitated by the demand on individuals to expand their lines. While promotion has been rather haphazard, means for a more "select" group have been introduced through the elimination of undesirable members. The study closes with a discussion of probable trends of voluntary chains. *American Institute of Food Distribution, Inc.*, 1933. 84 pages.

#### Record Profits Despite Depression

The chairman of a chain of British restaurants and caterers, writes here of the policies that have contributed to his organization's success. These establishments, which employ more than 30,000 people, served 160,000,000 meals last year. He proposes four broad principles that make for profitable operation: enterprise, optimism, efficiency and progressive outlook, and in conclusion points out that one of the most valuable of business assets is the experience purchased by occasional mistakes. By Sir Isidore Salmon. *Executives Service Bulletin*, November, 1933, p. 1:3.

#### Salesmen: Selection, Training, Compensation

##### Hiring and Training to Cut Turnover Among Salesmen

During the past three years the Household Finance Corporation has successively decreased the percentage of replacements on its sales force 15, 9 and 4 per cent, respectively, from each preceding year, and is currently running 41 per cent less than four years ago. The author, who directs the selection and training work for the

corporation, outlines in this series of articles a sound approach to the hiring and training problem. His creed for the selection and education of salesmen is as follows: 1. Youth and new blood are needed in every industry; 2. Aptitude tests should be given new applicants; 3. Training program should build a manual which outlines concrete campaign procedure; 4. Theory should be balanced with practice;

5. A course of training applicable to seasoned salesmen can best be developed by encouraging a contribution of ideas from executive supervisors and the men themselves. By Joyce Oliver. *Sales Management*, September 15, 1933, p. 259:4; October 1, p. 314:3; October 20, p. 410:2; November 15, p. 485:3.

#### Memorandum on the Remuneration of Salesmen

In an effort to determine current policies The Incorporated Sales Managers' Association of London distributed among its members a questionnaire covering the nature and methods of compensation as well as expense allowances. The replies from 79 concerns are tabulated and analyzed.

Although no conclusions or specific recommendations are offered, the motives which influence sales managers in determining the remuneration of salesmen are summarized as follows: "1. To adopt a method equitable alike to employer and employed; 2. To operate a system under which incentives are provided to encourage and reward a higher standard of salesmanship; 3. To control the payment of salesmen in such a way that the precise cost of obtaining business in each territory is known; and 4. To ensure that the cost of making sales, as represented by the men's remuneration, is within the figure budgeted for, or what can be reasonably afforded." By Charles C. Knights. *The Incorporated Sales Managers' Association*, 1933.

### Sales Promotion: Letters, House Organs, Advertising

#### How Addressograph Sells the "Cold Turkey" Idea to Salesmen

In a message to his salesmen, the vice-president of the Addressograph Company, points out that systematic canvassing consists of: 1. Pre-selection (outside of normal selling hours) of logical individuals and business enterprises on whom to call; 2. Scheduling (outside of normal selling hours) of these pre-determined calls on a "door-to-door" basis, by zones, and by stops under zones, to conserve time; 3. Actual making of such calls according to plan, from day to day, week to week, month to month and year to year; 4. Keeping ample records (outside of normal selling hours) of effort expended and results obtained.

"Mathematics," he states, "are the basis of every well-thought-out plan. The average number of 'First Calls' per order (not total calls per order) over a period of many years indicates that a salesman sells only one order in every fifteen calls. In other words, only one in every 15 names on a prospect list is good, immediately usable 'raw material.' A salesman having a machine quota of 5 machines a month, therefore, must plan at least 75 'first calls'

a month. Allowing for holidays, illness, vacations, etc., this means that a minimum of 4 new faces must be contacted intelligently every working day. If this is not done you have no reasonable basis on which to expect consistent attainment of quota!" By W. K. Page. *Sales Management*, November 15, 1933, p. 483:3.

#### We Spent More and Earned More in 1933

Coordinating its greatest selling effort with its largest advertising campaign, Kelvinator Corporation in 1933 realized its best year yet both in volume and profits. The vice-president in charge of sales lists the following reasons for this successful record: 1. An excellent product; 2. The compact nature of the company—general management all under the same roof as the factory; 3. The president or vice-president visits every Kelvinator distributor every year; 4. The majority of the product is sold through distributors and dealers in business for themselves; 5. Management is paid on a basis of results; 6. Sales campaigns are planned and tested in advance; 7. The company feels it is practically impossible to spend too much money

on advertising and sales promotion if the effort is turned into orders by intelligent selling. By H. W. Burritt. *System and Business Management*, December, 1933, p. 539:5.

#### Planning Dealer Conventions That Produce Results

The president of the Chrysler Sales Corporation states that as a preliminary to sales conventions his company collects an immense amount of pertinent data. "We are firmly convinced," he declares, "that there must be something more than the usual pep talks." He describes a typical Chrysler convention and concludes that the real value of a sales convention lies principally in the personal contacts between factory executives and the dealer organization. By J. E. Fields. *Executives Service Bulletin*, December, 1933, p. 3:2.

#### Every Sale Is a New Drama Between Two People

Realizing that there are no set rules in salesmanship, the Air Conditioning Department of the General Electric Company has done away with intensive sales train-

ing and has established a new course called "Sales Improvement Service." This Service is subscribed for and is intended to keep dealers and salesmen posted on the up-to-the-minute improvement in products, the condition of the market and the general application of good salesmanship. By A. C. Roy. *Printers' Ink*, December 7, 1933, p. 37:2.

#### No Royal Road to Results from Radio

A survey of representative department stores throughout the country shows that advertising by department stores is still in the experimental stage. Some are certain that a program of broadcasts has institutional value; others are less certain of its usefulness for making direct sales. This article presents a cross-section of opinions from sales promotion executives concerning the future of radio as an integral part of store publicity and discusses some of the problems that stores must overcome if they are to be successful with this new medium. By Beatrice Schapper. *The Merchandise Manager*, December, 1933, p. 12:3.

### Retailing

#### Let Advertising Sell the Store!

The publicity director of Joseph Horne Co., Pittsburgh, believes that fundamental changes in advertising policies and methods are in order if department stores are to do an effective selling job under present conditions. Specifically, he quarrels with the "departmental representation" concept for store publicity, and says that it necessitates the use of more space than most stores can profitably afford. By Andrew Connolly. *The Merchandise Manager*, January, 1934, p. 30:2.

#### Service Standards and the Retail Code

The fact that service has deteriorated while stores have been endeavoring to adjust themselves to the forty-hour week is no secret. Fortunately, some of the malad-

justments are but temporary; others, however, seem to defy solution. One important gain is the lessening of fatigue on the part of selling personnel, but that is offset by the difficulty of building up store morale and carrying out training programs under the new conditions. By John Black. *The Merchandise Manager*, January, 1934, p. 25:3.

#### Employee Loyalty Vital Factor in Growth of This Canadian Candy Chain

The successful growth of the Laura Secord Candy Shops, Ltd., Toronto, is attributed by the President of the company to the care in choosing materials and employees. Discussing various problems, encountered in designing stores, in finding locations and in maintaining quality, he

states that because of the initial care in hiring it has been found unnecessary to keep close surveillance over employees and, further, that "each man and girl is work-

ing, we believe, with the same keen interest we expect from our executive staff." By Frank P. O'Connor. *Executives Service Bulletin*, December, 1933, p. 5:2.

### Books Received

#### Current Problems in Public Finance.

Lectures delivered at the National Conference on the Relation of Law and Business held under the auspices of the School of Law and the School of Commerce, Accounts and Finance, New York University. Commerce Clearing House, Inc., Chicago, 1933. 391 pages.

**Standards Yearbook—1933.** Compiled by the Bureau of Standards. United States Department of Commerce, Washington, 1933. 255 pages. \$1.00 (cloth).

**List of Subject Headings for Small Libraries.** Compiled from Lists Used in Nine Representative Small Libraries. Edited by Minnie Earl Sears. H. W. Wilson Co., New York, 1933 (3rd edition, revised and enlarged). 453 pages.

**Packaging Catalog—1933.** Breskin & Charlton Publishing Corporation, New York, 1933. 291 pages. \$10.00.

**New York Laws Affecting Business Corporations.** Edited by J. B. R. Smith. United States Corporation Company, New York, 1933 (14th edition, revised). 482 pages. \$2.00.

**First Lessons in Business Training.** By C. W. Hamilton and J. F. Gallagher. Prentice-Hall, New York, 1932. 432 pages. \$1.60.

**Democratic Influences in Industry.** Proceedings of the first annual conference of Industrial Experimenters Associated, held at the Hotel Commodore, New York, May 26, 1932. Edited by Henry C. Metcalf. Bureau of Personnel Administration, New York, 1932. 105 pages.

**An Introduction to Business.** A case book. By Horace N. Gilbert and Charles I. Gragg. McGraw-Hill Book Co., New York, 1933 (second edition). 404 pages. \$3.00.

**Principles of Investment.** By John Emmett Kirshman. McGraw-Hill Book Co., New York, 1933 (second edition). 776 pages. \$5.00.

**The Arts in American Life.** By Frederick P. Keppel and R. L. Duffus. McGraw-Hill Book Co., New York, 1933. 227 pages. \$2.50.

**The Market Data Book for 1933.** Containing a Directory of Industrial, Trade and Class Publications. *Class & Industrial Marketing*, Chicago, 1933. 220 pages.

**Farm Relief and the Domestic Allotment Plan.** By M. L. Wilson. University of Minnesota Press, Minneapolis, 1933. 59 pages. 25¢.

**Occupational Trends in Minnesota.** By Alvin H. Hansen and Tillman M. Sogge. University of Minnesota Press, Minneapolis, 1933. 29 pages. 50¢.

**Politics, Government and the Public Utilities in New York City.** By Henry H. Klein. Isaac Goldmann Co., New York, 1933. 195 pages.

**Triopoly—or Class War?** By Robert Segal. Duffield and Green, New York, 1933. 217 pages. \$2.00.

**Commerce Yearbook—1932.** (Tenth Number) Volume II—Foreign Countries. United States Department of Commerce, Washington, D. C., 1933. 743 pages. \$1.25 (cloth).

**Hours of Work and Unemployment.** Report to the Preparatory Conference January, 1933. International Labour Office, Geneva (American Agent: World Peace Foundation, 40 Mt. Vernon St., Boston), 1933. 198 pages. \$1.25.

**Corporation Finance.** By Henry E. Hoagland. McGraw-Hill Book Co., New York, 1933. 463 pages. \$3.50.



**British Budgets—Third Series, 1921-22 to 1932-33.** By Sir Bernard Mallet and C. Oswald George. Macmillan, New York and London, 1933. 575 pages.

**The Importance of the Printing Industry—Printing Firms and Plants.** By David Gustafson. Author, Mt. Washington, Pittsburgh, 1931. 65 pages. 75c.

**The Rise of the British Coal Industry.** Vol. I and II. By J. U. Nef. George Routledge & Sons, Ltd., London, 1932. Vol. I—448 pages; Vol. II—490 pages. 42s. net the set.

**Business Dictation.** By Charles A. Thomas. Prentice-Hall, New York, 1932. 353 pages. \$1.40.

## Survey of Books for Executives

**The Economics of the Recovery Program.** By seven professors of Harvard University. Whittlesey House, McGraw-Hill Book Company, New York, 1934. 188 pages. \$1.50.

This volume is a compilation of essays by seven members of the Faculty of Harvard University originating in private conversations among the authors. Joseph A. Schumpeter writes on Depressions; Edward Chamberlin on Purchasing Power; Edward S. Mason on Controlling Industry; Douglass V. Brown on Helping Labor; Seymour E. Harris on Higher Prices; Wassily Leontiff on Helping the Farmer, and Overton H. Taylor on Economics versus Politics.

The book is a serious and consciously impartial effort to evaluate the various measures incorporated in the administration's recovery program. At the outset, the authors state that there is no intention to defend or attack the administration. The absence of any such intention is not due to any virtuous effort, but simply to the fact that the writers of the essays represent all the existing shades of political preference.

Briefly compounded by paraphrases, the authors' appraisal of the current recovery measures indicate that recovery is sound only if it does come of itself, and that predicated on our experience in United States with two other equally severe depressions in 1873 and 1893, any revival which is merely due to artificial stimulus leaves part of the work of depression undone and adds new maladjustments of its own. The doc-

trine of higher wages while millions are still unemployed acts as a brake on their reemployment, and recovery generally, by increasing costs at a time when industry is struggling desperately to make both ends meet. While the codes of fair competition contemplate a change of our anti-trust policy and perhaps the elimination of some methods of unfair competition, they also constitute a distinct menace not only to recovery but to reform, for the provisions limiting output and raising prices, if effective, can result only in the further curtailment of our already seriously reduced national income.

On the subject of labor there is an unequivocal affirmative answer to the question, Should conditions of labor be improved? At the same time, the present wage policies augur an unfavorable reaction upon wage earners, and the direct official interference for the purpose of encouraging labor organizations can only scratch the surface. The very competent appraisal of the items in the administration's program for securing higher prices is somewhat academic in view of the authority which Congress has just given President Roosevelt to reduce the gold content of the dollar between 40 and 50 per cent. But the appraisal is still well worth reading. Apparently the experience of the whole economic history of the United States as well as of other countries has shown that at any time and at every place there exists a definite set of economic forces working toward the equalization of the rewards of capital as well as labor in

all the different branches of economic activity including industry and agriculture. On the other hand, it is safe to say that there do not exist any economic forces which are working toward permanent stabilization of the relative price levels of agricultural and industrial commodities, or toward the perpetuation of the given proportions between the aggregate industrial and total farm incomes.

The soundness of the purpose of the administration's measures to stimulate recovery must be largely appraised in the light of their political expediency. In spite of the degree to which effective government may civilize the struggle, the entire political process within each nation is essentially a struggle of economic groups and classes, sections and industries gathered together by struggling parties to gain and use political power by a suitable reshaping of all the serviceable economic policies of the state. "To attack conspicuous individual financiers for doing in the boom years things that were within the rules of the game of high finance as all their allies and rivals played it in those years, or things they more or less had to do in self-defence, the rules being what they were, is both pointless and unjust."

A book of only 188 pages, it is outstanding for its balanced common sense and rational writing.

FRANK PARKER, *Professor of Finance, Wharton School of Finance and Commerce, University of Pennsylvania.*

#### **Social Planning and Adult Education.**

By John W. Herring. Macmillan, New York, 1933. 138 pages. \$1.25.

The story of the attempt of a group of citizens in Chester County, Pennsylvania, to plan their own home county. Chester County offered ideal conditions for this project—aided and fostered by grants from the Carnegie Corporation—with its varied interests, its accessibility, its urban, suburban and rural communities; its mixed stock, including Quakers, Scotch, Welsh, Pennsylvania Dutch; and a diversified influx of later settlers. The program started

during the World War, developed from a realization that "the things that most need doing could be best done by a united county." Step by step as the program developed the results are weighed and the methods checked. The advantages to the community are noted and community reactions to the program are carefully evaluated. In the chapter which the author heads "Philosophy of the Movement," an effort is made to integrate all the social and civic problems that can be handled by the unit of the county. Though the trend of the report is generally hopeful, the ultimate success of the Chester experiment cannot yet be forecast.

#### **Labor Economics and Labor Problems.**

By Dale Yoder. McGraw-Hill Book Company, Inc., New York, 1933. 630 pages. \$3.50.

It is the author's conviction that "the social and economic problems that are associated with laborers and their functions in modern society can be adequately interpreted only in terms of fundamental social and economic processes that permit or occasion the appearance of such problems. All these problems represent, in their essential features, pathological phases of the social and economic processes that underlie them. Further, it is believed that no comprehensive understanding of either social problems or fundamental processes can be gained without reference to the nature and development of social structures—institutions, folkways, mores, and customs—which inevitably influence, condition, and modify the behavior of all participants in these processes."

The study is intended as an introduction to the field of labor economics. It includes, however, an extensive selection of references and supplementary readings for students who may wish to pursue investigation of particular phases of the subject further than an introductory presentation permits. The topics covered include: workers as human personalities; the background of labor economics in social struc-

ture; capitalistic industry and its development; unrest; employment; suggestions for stabilizing employment; wages and wage theories; real wages and living standards; the working period; the worker's health; immigrant and convict labor; women workers; the nature and types of labor organizations; the policies and practices of such organizations, as well as their legal status; employers' associations and employee representation plans; scientific management and personnel administration; and possible steps toward industrial democracy.

**2222 Retailing Ideas.** Compiled by Emanuel Lyons. Author, Pittstown, N. J., 1933. 336 pages. \$3.00.

"Merchandise on the shelves without an idea behind it is merely merchandise; mostly merchandise that may be bought in any similar store, without special reason why customers should come to your store for it. But put an idea behind it—and it moves." The author presents the ideas of 2,222 successful merchants on such subjects as discounts, premiums, restaurants, tea rooms, etc., in every size retail business from the large department store to the modest neighborhood establishment.

**Oekonomischer Fortschritt und Ökonomische Krisen.** By Johan Akerman. Julius Springer, Vienna, 1932. 137 pages. RM 5.60.

In view of the long and severe depression from which the world has been suffering for the last four years, any new publication on the problem of cyclical business fluctuations will be met with particular interest not only by all students, but also by business men. Akerman's very clearly written book does not shed any new light on this intricate problem, and adds little to our, unfortunately, incomplete knowledge of that phenomenon. In his explanation of the cycle, the author follows those theories which base their arguments largely on psychological factors. For him, these fluctuations occur because human beings are not able to look into the

future and to regulate in advance the coming development. That is a rather pessimistic theory, since those who hold it would probably deny that any successful action in economic policy could ever be taken to influence economic events to any considerable degree. In one respect, Akerman attempts to go a step further into new territory. He suggests introducing a new method of analysis, the so-called "time-economics." His contention that the factor "time" has not heretofore been sufficiently taken into account is hardly justified. Furthermore, his new scheme does not seem very promising.

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**Extraordinary Popular Delusions and the Madness of Crowds.** By Charles Mackay. L. C. Page & Company, Boston, 1932. 724 pages. \$6.00.

Originally published in 1841 and long out of print, this book is a collection of remarkable instances showing how easily masses have been led astray, and how imitative and gregarious men are even in their infatuations and crimes. The first three chapters, *The Mississippi Scheme*, *The South Sea Bubble* and *The Tulipomania*, seem especially applicable to present days. Looking back over 300 years the speculation in tulips seems the maddest of all but not unlike the period in the United States which culminated in October, 1929, is this description of Holland, 293 years earlier: "The demand for tulips of a rare species increased so much in the year 1636, that regular marts for their sale were established on the Stock Exchange of Amsterdam, in Rotterdam, Harlaem, Leyden, Alkmar, Hoorn, and other towns. Symptoms of gambling now became, for the first time, apparent. The stock-jobbers, ever on the alert for a new speculation, dealt largely in tulips, making use of all the means they so well knew how to employ to cause fluctuations in prices. . . . The tulip-jobbers speculated in the rise and fall of the tulip stocks, and made large profits by buying when prices fell, and selling out



when they rose. . . . The operations of the trade became so extensive and so intricate, that it was found necessary to draw up a code of laws for the guidance of the dealers."

Not all of Mr. Mackay's book deals with speculative manias. There are chapters on such "crowd delusions" as the rage against witches, the acceptance of alchemy as a royal road to wealth and magnetism.

**Our Economic Revolution.** By Arthur B. Adams. University of Oklahoma Press, Norman, 1933. 196 pages. \$1.50.

The United States, during the World War, made more rapid progress toward increased production than any other nation ever made in the same period of time. Between 1922 and 1929, after the settling shock of the 1920 depression, the physical volume of production increased 42 per cent and the output per person employed increased 50 per cent. The collapse had to come, Professor Adams points out, because the goods being produced could not be sold due to the fact that not enough purchasing power was getting into the hands of the masses of the people, since unemployment was increasing. Even during boom times, hours of labor were not being reduced and wages were not going up as fast as prices and production. The fundamental causes which brought about the depression were looked on as the result rather than as causes of it. The author analyzes Mr. Roosevelt's policy pointing out its strength and weaknesses. He writes: "Our fundamental economic problem is one of public control over the distribution of the national money income; it is one of control over the distribution of the proceeds of industry or of the net production of our industrial society. Too large a share of the fruits of industry has gone to property owners as interest, rents and profits and too small a share has gone as wages and salaries to those who furnish labor and personal services. . . . Only through industrial control will the Government be able to keep a balance between production and

consumption. It is hoped that it will not be necessary in the near future for the Nation to suffer bitter experiences before accepting the inevitable policy of continuous government control of industry."

**The Economics of Imperfect Competition.** By Joan Robinson. Macmillan and Co., Ltd., London and New York. 1933. 352 pages. \$6.00.

The analysis of perfect competition has played a dominant role in the development of economic value theory. Monopoly, and to a lesser extent, imperfect competition, have been recognized but they were only injected into value theory as afterthoughts or as limiting factors. Objections have been raised from time to time but it was not until recently that an attempt has been made to develop an analysis of imperfect competition into a systematic theory of market relationships, as has been done by Mrs. Robinson and Professor Chamberlin.\*

Mrs. Robinson's analysis is based on the pecuniary calculations of a single enterprise as it endeavors to adjust production to demand in order that marginal revenue is equal to marginal costs. The general argument is advanced by the aid of geometrical proofs and, in its entirety, constitutes "an essay on the technique of economic analysis." Referring to her contributions as a "box of tools," she justly concludes that "the reader who is interested in results immediately applicable to the real world has every right to complain that these tools are of little use to him. The knives are of bone and the hammers of wood, only capable of cutting paper and driving pins into cardboard. But the analytical economist who is prepared to work stage by stage towards the still far-distant ideal of constructing an analysis which will be capable of solving the problems presented by the real world may perhaps find in this toolbox some implements which will serve his turn."

J. E. H.

\* "The Theory of Monopolistic Competition," by Edward Chamberlin. Harvard University Press, Cambridge, 1933. 213 pages. \$2.50. Reviewed in *The Management Review*, July, 1933.